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ACTION ARA-01

B6

INFO LOG-00 ACDA-15 AMAD-01 CIAE-00 C-01 DODE-00 EB-01
HA-09 H-01 INRE-00 INR-01 L-03 ADS-00 NSAE-00
NSCE-00 OMB-01 PA-01 PM-01 PRS-01 P-01 SNP-01
SP-01 SS-01 TRSE-00 T-01 USIE-00 /042W
-----1CD172 191918Z /38

P 191917Z MAR 92
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 9261
USDOC WASHDC PRIORITY

LIMITED OFFICIAL USE SECTION 01 OF 04 CARACAS 03042

USDOC FOR 3134/USFCS/OIO/RD/WH/RWMILLER
- 4331/IEP/WH/OSA/AD/HLINDOW

E.O. 12356: N/A
TAGS: PGOV, MARR, PINR, BEXP, VE
SUBJECT: AMBASSADOR'S BUSINESS ROUNDTABLE

1. SUMMARY: ON MONDAY, MARCH 16, AT THE AMBASSADOR'S
BUSINESS ROUNDTABLE, [REDACTED]

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[REDACTED] GAVE AN OVERVIEW OF THE POLITICAL
SITUATION IN VENEZUELA. HIS REMARKS ARE SUMMARIZED
HERE IN THREE SECTIONS: (I) THE MESSAGES SENT TO THE
GOVERNMENT BY THE PEOPLE ON MARCH 10; (II) WHO
RECEIVED AND INTERPRETED THE MESSAGES; (III) THE
RESPONSE; AND (IV) THE NEXT STEPS. IN THE DISCUSSION
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WHICH FOLLOWED, A NUMBER OF QUESTIONS, OBSERVATIONS
AND RELATED ISSUES WERE RAISED WHICH ARE DESCRIBED IN
SECTION V. END SUMMARY.

2. INTRODUCTION: [REDACTED] VIEWS ARE ALWAYS
WORTH HEARING; WE REPORT THEM HERE FOR WHAT THEY MAY
BE WORTH. HIS ANALYSIS TRACKS WITH OURS ON SOME
POINTS, DIFFERS ON OTHERS. WE ALSO NOTE THAT THE
CROWD AT THE ROUNDTABLE IS QUITE VARIED, AND SOME
BUSINESSMEN ARE UNDOUBTEDLY INHIBITED FROM EXPRESSING

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THEIR FRANK OPINIONS BY THE NEAR CERTAINTY THAT THEIR WORDS WOULD REACH THE GOV OR PERSONAL ENEMIES.

I. MESSAGES SENT TO THE GOVERNMENT BY THE PEOPLE ON
MARCH 10

3. ON MARCH 10, AT 10 P.M., MILLIONS OF VENEZUELAN
BANGED POTS AND FLASHED LIGHTS -- AND SENT A MESSAGE,
OR SEVERAL MESSAGES TO THE VENEZUELAN GOVERNMENT. IT
WAS A WATERSHED EVENT, ONE THAT MARKED A SHIFT OF
POWER FROM THE ELITES, FROM THE "COGOLLOS" TO THE
PEOPLE. THE EXPLICIT MESSAGES WERE:

-
A. WE WILL NO LONG ER PUT UP WITH I NADEQUATE OR
INEXISTENT SERVICES IN THE AREAS OF HEALTH,
EDUCATION AND PUBLIC SECURITY;

B. CORRUPTION IS THE REASON SERVICES ARE
INADEQUATE OR INEXISTENT; CORRUPTION MUST BE
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PUNISHED;

C. CARLOS ANDRES PEREZ HAS FAILED US AS A LEADER;

D. WE WANT CHANGE.

4. THE IMPLICIT MESSAGES WERE:

A. WE COUNT -- AND WE WILL MAKE OURSELVES HEARD,
BE IT VIA A MORE PARTICIPATORY DEMOCRACY OR BY
DEMOLISHING THE STATUS QUO;

B. "MORE OF THE SAME" IS A NON-STARTER;

C. EXCEPT FOR INFLATION, THE PROBLEM IS POLITICAL,
NOT ECONOMIC.

II. THE MESSAGES - RECEIVED AND INTERPRETED

5. THREE LEADING FIGURES ARE STRIVING TO ESTABLISH
THEMSELVES AS THE ONE WHO HAS RECEIVED AND INTERPRETED

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THE MESSAGES:

LT. COL. HUGO CHAVEZ, THE MAN WHO LED THE BOTCHED
COUP THAT TRIGGERED THE CRISIS, WHOSE GOOD LOOKS,
"MACHO DELIVERY" AND OVERBLOWN MANIFESTOS HAVE
STRUCK A RESPONSIVE CHORD AMONG MANY VENEZUELAN;

B. EX-PRESIDENT RAFAEL CALDERA, THE DEMAGOGUE WHO
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HAS SEIZED ON THE OPPORTUNITY TO PROJECT HIMSELF
AS THE MAN TO LEAD VENEZUELA BACK TO A BETTER
PAST; AND

C. CARLOS ANDRES PEREZ, THE LEADER WHO SUDDENLY
REALIZED HE HAD LOST TOUCH WITH HIS CONSTITUENCY,
BUT WHO IS MOVING QUICKLY TO DEFUSE TENSIONS AND
TO PROJECT HIMSELF AS THE MAN TO LEAD VENEZUELA TO
A BETTER FUTURE.

6. OTHERS WHO, ONE WAY OR ANOTHER, RECEIVED AND
INTERPRETED MESSAGES INCLUDED:

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| INFO | LOG-00 | ACDA-15 | AMAD-01 | CIAE-00 | C-01 | DODE-00 | EB-01 |
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E.O. 12356: N/A
TAGS: PGOV, MARR, PINR, BEXP, VE
SUBJECT: AMBASSADOR'S BUSINESS ROUNDTABLE

A. COPEI'S EDUARDO FERNANDEZ, WHO REVEALED
UNEXPECTED QUALITIES AS A LEADER AND A STATESMAN,
AND WHO ASKED THE OBVIOUS QUESTION: "IF CAP
RESIGNS, WHO REPLACES HIM?"

B. THE PRESIDENT'S AD HOC ADVISORY COMMISSION,
WHICH DID NOT CONSULT OR ANALYZE ENOUGH WHILE
PRODUCING A LAUNDRY LIST OF PROPOSALS: SOME GOOD,
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SOM BAD -- BUT WHICH DID HELP THE PRESIDENT
RE-ESTABLISH CONTACT WITH THE ELECTORATE;

C. MOST POLITICIANS AND LABOR LEADERS, WHOSE TIRED
RHETORIC WAS INTENDED TO DISTRACT ATTENTION FROM
THE REAL ISSUES;

D. MOST BUSINESSMEN, WHO SEEMED CONTENT TO KEEP
THEIR MOUTHS SHUT WHILE SITTING ON THE FENCE.

[] SINGLED OUT THE AMERICANS FOR BRAVELY
SUPPORTING THE PRESIDENT'S PROGRAM);

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F. THOSE WHO DID RESPOND TO THE CALL INCLUDE LUIS
PINERUA, RICARDO HAUSMANN AND TERESA ALBANEZ (NEW
MINISTER OF THE FAMILY), AMONG OTHERS.

7. THREE PEOPLE ARE HELPING TO SAVE THE CURRENT
ECONOMIC AND POLITICAL SYSTEM: LUIS PINERUA, EDUARDO
FERNANDEZ AND CARLOS ANDRES PEREZ.

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III. THE RESPONSE

8. FEBRUARY WAS A MONTH OF GREAT CONFUSION AND MANY FALSE STARTS. AT MONTH-END, THE NATION'S INSTITUTIONS APPEARED ON THE VERGE OF COLLAPSE. BY MARCH 10, FORTUNATELY, THERE WAS A RENEWED SENSE OF DIRECTION.

9. ON MARCH 5, THE PRESIDENT NAMED A NEW CABINET AND GAVE HIS INTERPRETATION AND REPLY TO THE MESSAGES
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RECEIVED. UNLIKE HIS FIRST ATTEMPT AT CABINET CHANGE, THIS NEW SLATE IS VERY STRONG, BLENDING ANTI-CORRUPTION HONESTY WITH, IF ANYTHING, A STRENGTHENED ECONOMIC HAND. IN PARTICULAR,
SINGLED OUT THE FOLLOWING:

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A. LUIS PINERUA AS MINISTER OF THE INTERIOR SIGNIFIES CORRUPTION WILL BE FACED AND DEALT WITH. DESPITE HIS LACK OF PERSONAL WARMTH OR CHARM, PINERUA IS THE RIGHT MAN FOR THE TIME. IN RETROSPECT, THE PRESIDENT HAD ALREADY SIGNALLED A TOUGHER LINE ON CORRUPTION A MONTH EARLIER WHEN HE ACCEPTED PEDRO TINOCO'S RESIGNATION.

B. APPOINTING TERESA ALBANEZ AS FAMILY MINISTER CONFIRMED HIS COMMITMENT TO IMPROVING SOCIAL SERVICES; MORE IMPORTANTLY, HIS WILLINGNESS TO REMOVE MABELYS DE LEON REPRESENTS THE BEGINNING OF THE END OF THE PATRONAGE, CORRUPTION AND PARTY DOMINANCE OVER PUBLIC SECTOR SPENDING.

10. HIS APPOINTMENTS TO THE ECONOMIC CABINET INDICATE A DESIRE TO BROADEN SUPPORT FOR HIS PROGRAM, BUT THE PROGRAM ITSELF IS NOT BEING COMPROMISED. THE DECISIONS TO DELAY GASOLINE AND ELECTRICITY TARIFF INCREASES FOR SEVERAL MONTHS AND TO "STABILIZE" PRICES REPRESENT A NECESSARY DEVIATION -- A CONCESSION TO PUBLIC PRESSURE - A SMALL PRICE TO PAY, IF IT ENABLES THE ADMINISTRATION TO PRESERVE THE BULK OF ITS PROGRAM. THE ECONOMIC PROGRAM THUS REMAINS INTACT.

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11. HIS CALL FOR THE RESIGNATION OF FIVE (OR MORE)
SUPREME COURT JUSTICES, HIS JUSTICE MINISTER AND
SOLICITOR GENERAL APPOINTEES AND THE COUNCIL OF THE
FIDUCIARY'S DECISIONS TO DISMISS 61 JUDGES, ALL
SUGGEST A START IN THE EFFORT TO CLEAN UP THE JUDICIAL
BRANCH AND TO RID IT OF PARTY INFLUENCE (AND SOME
JUDGES ARE INDEED STEPPING DOWN.)

IV. NEXT STEPS

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P 191917Z MAR 92
FM AMEMBASSY CARACAS
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E.O. 12356: N/A
TAGS: PGOV, MARR, PINR, BEXP, VE
SUBJECT: AMBASSADOR'S BUSINESS ROUNDTABLE

12. THE PRESIDENT HAS BOUGHT SOME TIME. HE IS ACTING LIKE THE LEADER HE IS KNOWN TO BE. HE IS POINTING THE COUNTRY IN THE RIGHT DIRECTION. BUT, VENEZUELA'S DEMOCRACY REMAINS FRAGILE AT BEST. MANY MONTHS -- OR YEARS -- WILL BE REQUIRED BEFORE VENEZUELA'S INSTITUTIONS ARE FULLY RENEWED AND THEIR LEGITIMACY

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RESTORED. IN THE MEANTIME, A BETTER PLANNED AND EXECUTED COUP, A LONE ASSASSIN'S BULLET OR A SERIOUS MIS-STEP BY THE ADMINISTRATION COULD BRING DOWN THE WHOLE STRUCTURE OVERNIGHT.

13. THE PRESIDENT HAS TO PUT CORRUPT PEOPLE IN JAIL. HOW CAN CAP INCARCERATE HUGO CHAVEZ AND NOT JAIME LUSINCHI? LUSINCHI MUST GO TO JAIL, I F THE SYSTEM IS TO SURVIVE, AND IN ALL LIKELIHOOD THE MAN WILL BE IMPRISONED.

14. A WILD CARD IS THE PROPOSED "CONSTITUENT ASSEMBLY." PROPONENTS SEE IT AS A FAST AND EFFECTIVE WAY TO INTEGRATE THE GENERAL POPULATION INTO THE PROCESS. IF CONGRESS APPROVES, VENEZUELANAS WOULD BE ASKED TO PASS JUDGMENT ON THE PROPOSAL IN A REFERENDUM, PROBABLY IN MAY. THE PRESIDENT SUPPORTS THE IDEA. SINCE AN ASSEMBLY IMPLIES DISSOLVING CONGRESS, SOME POLITICIANS (RIGHTLY) SENSE IT WOULD REDUCE OR ELIMINATE THEIR POWER BASES -- AND THEY ARE OPPOSED.

15. ANOTHER PROPOSAL THAT MIGHT BE VOTED ON IN A REFERENDUM WOULD BE A DECISION TO CUT THE PRESIDENT'S AND CONGRESS' TERMS TO FOUR YEARS IN ORDER THAT GENERAL ELECTIONS BE CALLED AND HELD IN DECEMBER OF THIS YEAR. IF SO, IT WOULD PRODUCE A CONSTITUTIONAL MECHANISM FOR SATISFYING CALLS FOR CAP'S RESIGNATION AND TESTING CALDERA'S CLAIM TO SPEAK FOR THE MAJORITY. IRONICALLY, HOWEVER, BY DECEMBER,

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VENEZUELAN'S MAY BE MORE PREPARED TO ACKNOWLEDGE THAT
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CAP HAS BEEN TAKING THE COUNTRY IN THE RIGHT DIRECTION
ALL ALONG. BUT, BY THEN, IT WILL BE TOO LATE.

16. BUT THE CONSTITUTION DOES NOT HAVE TO BE AMENDED
TO MAKE WAY FOR THE MOST IMPORTANT CHANGE OF ALL -- A
UNINOMINAL ELECTORAL SYSTEM WHEREBY ELECTED OFFICIALS
RUN AS INDIVIDUALS AND REPRESENT SPECIFIC DISTRICTS.
THIS COULD BE ACCOMPLISHED SIMPLY BY AMENDING THE
ELECTORAL LAW. THIS IS THE ONE MEASURE THAT WOULD
TRANSFORM VENEZUELA FROM A "PARTIDOCRACIA" TO A
PARTICIPATIVE DEMOCRACY. AND THIS MAY PROVE CAP'S
BIGGEST CHALLENGE OF ALL.

17. [REDACTED] CLOSED BY SAYING HE WAS "BORDERLINE
OPTIMISTIC" ABOUT THE POLITICAL AND ECONOMIC SITUATION
IN VENEZUELA. (COMMENT: TO JUDGE FROM THE ATMOSPHERE
IN THE ROOM, HIS OPINION WAS ABOUT THE MOST OPTIMISTIC
OF THOSE PRESENT.)

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V. D I S C U S S I O N

18. IN THE DISCUSSION WHICH FOLLOWED [REDACTED] MADE
SEVERAL INTERESTING POINTS. HE SAID HE UNDERSTOOD CAP
WOULD AGREE TO SHORTEN HIS TERM ONLY IF HIS ECONOMIC
PROGRAM WOULD STAY INTACT AND UNINOMINAL ELECTIONS
WERE IMPLEMENTED. (COMMENT: THIS WAS NOT A CORRECT
REFLECTION OF CAP'S POSITION).

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19. ASKED IF IT WAS TRUE THAT A NUMBER OF BANKERS,
FEARFUL OF FINANCIAL SECTOR REFORM, WANTED CAP
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REMOVED, HE SAID "PROBABLY", BUT THAT BANKING REFORM
WAS NOT ONLY A "GOOD THING", BUT THAT THE CLIMATE WAS
IDEAL TO FORGE AHEAD IN THAT AREA.

20. HE SAID THE "CONSTITUENT ASSEMBLY" WAS A
POTENTIALLY DANGEROUS IDEA BECAUSE IT WAS TOO

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UNPREDICTABLE WITH REGARD TO POSSIBLE MEMBERS,
PROCEDURES, LENGTH OF TIME AND COULD BE SUBJECT TO
SUBSTANTIAL MANEUVERING.

21. PRESSURE WAS BUILDING FOR UNINOMINAL ELECTIONS.
ELIAS SANTANA, THE DIRECTOR OF THE "VECINOS" MOVEMENT,
IS THE PRIME MOVER OF THE GRASSROOTS UNINOMINAL
MOVEMENT.

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E.O. 12356: N/A
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22. IN ANSWER TO THE QUESTION "WHO AFTER CAP",
SAID CALDERA, PINERUA AND FERNANDEZ WOULD MOST LIKELY

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RUN FOR THE TOP OFFICE AND THE ELECTION WOULD BE CLOSE.

23. HE SAID THAT, AMONG SOME IN THE MILITARY, PRIVATIZATION IS THE CONVERSE OF NATIONALIZATION. THE PEOPLE REMEMBER THAT NATIONALIZATION MEANT TAKING COMPANIES BACK FROM FOREIGNERS (THUS FOR MANY AND IN LIMITED OFFICIAL USE

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THE SAME VEIN) PRIVATIZATION MEANS PLACING VENEZUELAN-OWNED INDUSTRY BACK IN THE HANDS OF FOREIGNERS.

24. AFTER A LAW ALLOWING FOR UNINOMINAL VOTING IS APPROVED, CHANGES IN THE JUDICIAL SYSTEM WILL BE NEXT. (SOME IN THE AUDIENCE COMMENTED THAT, WHILE SOME JUDGES HAD RESIGNED TO DATE, NO "SIGNIFICANT" JUDGES HAD BEEN REMOVED.)

25. FINALLY, [REDACTED] NOTED THAT THE MORALE OF THE MILITARY WAS NOT GOOD AND THAT MANY REMAINED ANGRY AND BITTER. HE PREDICTED ANOTHER COUP ATTEMPT THIS YEAR, BUT SAID IF ONE WERE TO OCCUR NOW IT WOULD BE UNSUCCESSFUL.

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26. THE AMBASSADOR WAS ASKED TO COMMENT ON THE LIKELY U.S. POSITION REGARDING WHAT THE QUESTIONER THOUGHT WAS THE MOST LIKELY COUP SCENARIO: A COUP FOLLOWED BY AN IMMEDIATE RETURN OF POWER TO CIVILIAN AUTHORITIES FOLLOWED BY ELECTIONS. THE PERSON ASKING THE QUESTION SAID THAT A VENEZUELAN GROUP HAD TOLD HIM RECENTLY THAT THEY DID NOT THINK THE U.S. WOULD DO ANYTHING IN THESE CIRCUMSTANCES. THE AMBASSADOR RESPONDED STRONGLY THAT ANY ATTACK AGAINST DEMOCRACY, WHATEVER THE SCENARIO, SIMPLY WOULD NOT BE TOLERATED BY THE INTERNATIONAL COMMUNITY UNDER ANY CIRCUMSTANCES. HE AGREED THAT PUBLIC THREATS BY U.S. OFFICIALS AT THIS TIME (OF SANCTIONS SUCH AS AN OIL EMBARGO), COULD BE COUNTERPRODUCTIVE, ALTHOUGH HE NOTED THAT IT WOULD BE USEFUL IF VENEZUELAN SERIOUSLY THOUGHT ABOUT THE

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INTERNATIONAL IMPLICATIONS OF A COUP. ANOTHER

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BUSINESSMAN NOTED THAT ECONOMIST PEDRO PALMA HAD
DISCUSSED A LIKELY ECONOMIC CONSEQUENCE OF A COUP ON A
TV TALK SHOW THAT MORNING. WHEN THE AMBASSADOR ASKED
FOR SUGGESTIONS ON HOW BEST TO APPROACH THE SITUATION,
HE WAS URGED BY SOME TO CONTINUE TO PUSH THE THEME OF
U.S. INTOLERANCE TOWARD ATTACKS ON DEMOCRACY. SKOL

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